

Executive Registry

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MEMORANDUM FOR THE PRESIDENT

Subject: Italian Request for Export-Import Bank Loan
to Finance Purchases of U. S. Equipment for
Fiat Plant in the USSR

The Italians have asked the Export-Import Bank for a loan to finance Fiat's purchase of up to \$50 million worth of U. S. equipment. The equipment would be used in an automobile plant Fiat is building in the USSR under contract to the Soviet Government.

DISCUSSION

Disadvantages

- (1) There may well be Congressional criticism. However, advance consultation with Congressmen, together with a full explanation of what the transaction means, hopefully would avert serious opposition.
- (2) It can be argued that Italy is in a better financial position than we are to finance such a sale to the USSR. However, there is a chance we could lose the sale if we don't extend the credit. And, aside from this, Italy has agreed to help our balance of payments by prepaying its present debts to the Export-Import Bank.
- (3) The Soviet-Italian transaction provides for 8 1/2 year repayment terms. This exceeds the five year credit limit to Soviet Bloc countries that we have pushed with only limited success. Our part of the loan, however, could be limited to five years.

Advantages

- (1) It would support the increased emphasis ~~the USSR is~~ putting on using its resources to produce consumer goods,

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which is very much in our national interest

(2) The Export-Import Bank loan would make possible the export of almost \$50 million of US equipment.

(3) The loan would help our relations with Italy at a time when we are counting on Italian support in the political field, especially in NATO.

The Choices

(1) Advise the Export-Import Bank to go ahead with the loan, and make no special announcement.

(2) Advise the Export-Import Bank to go ahead with the loan, and informally notify Congress.

(3) Advise the Export-Import Bank to reject the Italian request for the loan.

RECOMMENDATION

The senior levels of the Department of State, DOD, CIA, Commerce, Treasury, and the Export-Import Bank have agreed unanimously that choice # 2 would be the most desirable US policy, provided the loan's repayment terms are limited to five years.

In this case, a determination by you that the loan is in the national interest is not legally required because the credit would be extended to an Italian bank. However, it was agreed that it would be advisable to avoid the charge of circumventing the intent of Congress by some form of notification, bearing in mind that formal notification could set an undesirable precedent.

Moreover, we soon will be asking you to consider an important bilateral US-USSR trade matter: whether to issue an export license to permit a group of US companies to negotiate for the sale to the USSR of a \$112 - 140 million plant to make thin sheet steel for consumer goods, especially automobiles. In view of possible Congressional and public reaction, it was agreed that it would be best to authorize the loan for the Fiat plant before moving forward with the related steel mill license.

Dean Rusk

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E:AMSolomon, EUR/SOV:JLColbert, E/OMA:RELindstrom
Clearance: Export-Import Bank - Mr. Sauer